A2350-2

January 1991

Applying the FOIA in the Computer Age

presstime

The Journal of the American Newspaper Publishers Association

Advertisers Gain One-Stop Shopping

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JANUARY 1991 VOLUME 13, NUMBER 1

Special Report *The newspaper advertising network, a decades-old concept, is being reborn in tough economic times as an effective method of packaging several local newspapers in a one-stop buy for national advertisers. The timing has been perfect, say newspaper executives, especially with the retail and classified advertising categories in a state of flux. Networks haven't been responsible for newspapers' ringing up huge piles of revenue, but they are helpful in convincing advertisers that their needs can be served through efficiency and flexibility.* 22

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presstime Volume 13, Number 1
Presstime magazine (ISSN 0194-3243) is published monthly by the American Newspaper Publishers Association, 11600 Sunrise Valley Drive, Reston, Va. 22091. Basic subscription rate of $50 a year is included in members' dues. Non-member rate is $100 domestic, additional overseas. Second-class postage paid at Reston, Va., and additional mailing offices. Copyright 1990 by ANPA. All rights reserved. Unsolicited articles and photos should be sent to the presstime editor. POSTMASTER: Send address changes to presstime, ANPA, Box 17407 Dulles Airport, Washington, D.C. 20041.

BPA Presstime is a member of the Business Publications Audit of Circulation Inc.

CHAIRMAN'S CORNER

ANPA success against ad tax demonstrates value of teamwork

If the cost of advertising were no longer allowed as a business deduction, what impact would that have on your newspaper's revenues as well as on the business of your advertisers?

An answer would be hard to quantify, but I'm sure you'd agree that such a tax would not be helpful in the slowest growing ad market we've witnessed in more than 20 years.

Lloyd G. Schermer

We almost got hit with the "ad tax" this year. It came up in Congress' tax discussions twice. But thanks to intelligent lobbying by ANPA and other media and advertising groups, members of Congress decided it wasn't such a hot idea and left it out in the cold where it belongs.

Preparation for this battle started in 1987 when ANPA joined advertising and other media organizations to form the Ad Tax Coalition. In 1988 the coalition initiated a study that shows the value of advertising to the economy. Then, in the early phases of last year's federal budget-drafting process, selected newspaper publishers contacted or met with 14 of 17 budget summit negotiators; 29 of 36 Ways and Means Committee members; and 9 of 20 Senate Finance Committee members. In addition, ANPA staff met with the staffs of 31 Ways and Means Committee members and the senior staff of the Senate Finance Committee.

The issue did not actually surface on the table at the budget-summit talks until 2 a.m. on a Sunday, we are told. When the ad tax was raised, a collective groan came from many of the tired negotiators around the table, and by common consent it was declared a bad idea.

The ad tax was raised again the next day, allegedly with some Bush administration involvement, and again ANPA moved swiftly. Publishers whose legislators were leaders on the tax-writing committees were called, and they in turn called the congressional offices. Once again, working with other players, your Association was successful; the issue was dropped.

I'm calling this effort to your attention because it dramatically demonstrates how important teamwork is between the membership and our ANPA staff. A few key contacts, phone calls and letters at the 11th hour helped make the difference between success and failure on an issue that had a potential for devastating consequences on our revenues as well as on the economy.

This issue probably is not dead. It—and other tax challenges—will arise again.

And, as this ad tax episode dramatically demonstrates—you, via ANPA, can make a difference.

Lloyd G. Schermer

Lloyd G. Schermer
ANPA Chairman

A Competitive Tool To Boost Sales

Networks make it more efficient for advertisers to buy multiple papers

BY ROLF RYKKEN
presstime staff writer

Early last summer, executives from seven major dailies in Iowa and one in Nebraska decided they had to do something about sagging ad sales.

They embraced a decades-old concept now enjoying a rebirth in hard times: the newspaper advertising network. It's a device for luring lucrative but elusive national ads by packaging several local papers together in a single, efficient buy.

In the past 10 years, newspaper ad networks have increased in number from about 80 to 250, according to Landon Associates, an advertising-representative firm and a leader in network formation and use.

Although even their most ardent supporters do not characterize the networks as potentially huge pots of gold, they can transfuse additional revenue that is especially welcome during difficult economic periods like the current one. In fact, newspaper people whose publications have affiliated with networks say that when "winning" means "surviving," networks can be essential survival tools as well as significant contributors to operational efficiency.

"With retail and classified advertising in a state of change, publishers will (want to) make it easier for national advertisers to buy," says Lance Primis, president of The New York Times Co. and chairman of a Newspaper Advertising Bureau task force on sales structure.

This month, the bureau will launch its Newspaper National Network. In the spring, The Metro Iowa Network will begin selling for its eight daily newspapers.

How successful will they be? Only time will tell, of course. But in the case of NNN, Primis notes that during a three-year experimental phase it attracted $31 million in national advertising revenue for 250 newspapers—half of them in the 50,000-and under circulation category. (See story, p. 43.)

Champions of the network concept offer a laundry list of advantages for both sides that are involved in advertising transactions.

For newspapers, the advantages include:

- Extra revenue
- An expanded sales force
- Clout with national advertisers for small papers.

For advertisers, they include:

- The ease and efficiency of placing a single order and receiving a single bill for multiple-newspaper insertions
- Discounted advertising rates, sometimes off newspapers' higher national rates, or such attractions as advantageous positioning
- Timely market research.

"The continuing formation of newspaper networks is a good sign to national advertisers that newspapers are no longer asleep at the wheel," says Mark A. Dacey, senior vice president/advertising of the Chicago Sun-Times. His company established its own 64-newspaper network in 1989 following the purchase of two Chicago suburban weekly newspapers groups during the 1980s.

Like the NNN, The Metro Iowa Network and The Sun-Times Newspaper Network, most networks are formally organized and traditional in concept; that is, they are designed for virtually all national advertisers. A less formal, lesser-used version targets specific kinds of businesses as advertising opportunities.

Network maven Herb Partridge, vice president/sales development at Landon Associates, says modern-era formal networks date from the 1960s, and over the years they have offered advertisers a buy encompassing all newspaper members. That approach is loosening with such recent entries as the Florida Newspaper Network and the long-established Boston Area Newspaper Dailies network, both of which allow advertisers to pick and choose among the participating members.

In difficult economic periods, networks can be essential survival tools as well as significant contributors to operational efficiency.

Informal networks are creatures of the last 10 years. One of Partridge's colleagues at Landon, Jeffrey A. Dietz, says these "custom-designed" groupings are aimed at advertisers like food stores, automobile dealerships and travel-related companies. In these kinds of arrangements, the advertisers *always* are allowed to select newspapers published in particular markets.

Partridge tracks networks and helps put them together. He says there were only about eight formal networks in 1965, and their ranks roughly doubled every five years between then and 1985. (See chart, p. 27.) According to his tabulations, these formal organizations outnumber their informal cousins by about 4 to 1, although the number of informal ones—currently about 50—fluctuates as ad campaigns begin and end. Landon represents about half of all the networks, he says.

A network set up in Texas recently shows clearly that it's the need to scrape through, not visions of fat profits, that is currently driving the trend. Late last November, The Papert Cos., a Dallas firm that represents smaller newspapers outside of the 50 largest markets, reported the sale of a half-page ad for placement in an informal network of seven newspapers; the ad touted New Orleans hotels and restaurants. While the revenue is not "$1 million in advertising—we're talking maybe $5,000 (altogether)—it's advertising they (the newspapers) have never received before," says Sam Papert Jr., president of the company.

Make similar deals with other networks and the revenue adds up. "As far as I'm concerned (networks) are a howling success," he says.

National advertisers spent $3.9 billion to place their messages in U.S. daily newspapers in 1990, according to estimates by the McCann-Erickson Inc. advertising agency. That's a mere 5.3 percent of the $73.5 billion they spent for national ads in all media. Media analyst Bruce E. Thorp calls national advertising "an untapped resource for newspapers."

Nonetheless, Thorp, assistant vice president of Provident National Bank in Philadelphia, says he is skeptical that efforts such as the Newspaper National Network will enable the newspaper industry to move much beyond its current share of national advertising expenditures.

The Newspaper Advertising Bureau is slightly more hopeful, and its estimates are slightly higher than McCann-Erickson's.

In December, NAB estimated that when the books are closed for 1990, they will show that national ad expenditures in U.S. dailies rose to $4.2 billion from $3.9 billion in 1989. The bureau further estimates that national accounted for 12.9 percent of the dailies' overall advertising, up from 12 percent in '89. (See chart, p. 25.) NAB projects that national advertising in newspapers will stall this year but accelerate to $4.5 billion in 1992.

Sales executives say networks have played—and will continue to play—a part in this growth.

Some executives think newspapers in some areas came to the networking concept late—after some of their competitors began forming similar alliances.

"In Florida , newspapers haven't been easy to buy," says Alfred E. Cory Jr., advertising director of the St. Petersburg Times and president of the Florida Newspaper Network. "You *can* go to one television station and buy a network. You can even go to business magazines and buy a network. You couldn't do it with newspapers." If advertisers wanted to buy, say, about a half-dozen newspapers, they had "to go to five or six and (end up with) five or six bills."

The Florida newspaper network, formed by the Sawyer, Ferguson and Walker rep firm and 19 Florida dailies, is being watched with strong interest.

In late June, two months after the network formally opened, the newspaper members were asked by the U.S. Justice Department to supply all information about the operation so its antitrust attorneys could review it for any possible price-fixing [presstime, July 1990, p. 56]. Since then the newspapers say they have had no further communication with the government.

So, the experience with networks has been a generally positive one for the newspapers that have joined one or more. Executives and even advertisers say the network efforts have resulted in a new kind of cooperation among different newspapers and among competing newspaper ad-rep firms, because all the parties share a common goal: to lure more national advertising.

Says The New York Times' Primis, "There is an immense

Richard W. Green

The suburban Boston weekly network uses a "town crier" to announce its formation to ad-agency executive Thomas Corcoran.

willingness by publishers to put forth time, talent and resources that I've not seen."

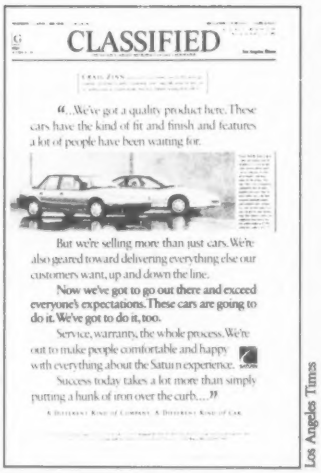
TEAMING UP TO FIGHT BACK. It's not hard to see why cooperation is the watchword of the day.

The network initiatives are part of a long battle. Newspapers have been fighting to hold onto national advertising since 1913, according to "75 Years of The Newspaper Advertising Bureau" by Leo Bogart, former NAB executive vice president and now adjunct professor of marketing at New York University.

In 1913, newspaper dominance as purveyors of national advertising was challenged by "increasing competition from mass magazines, direct mail, billboards and trolley car cards," Bogart wrote. In the 1930s, radio gained popularity.

However, what is believed to be the first newspaper ad network was put together not to deal with competing media but to compete with other newspapers. It was formed in 1923 when J.C. Kaynor, publisher of the Ellensburg (Wash.) Daily Record, and Fred (Pa) Kennedy, a field manager of the Washington Newspaper Publishers Association, traveled to San Francisco to snare what was then referred to as "foreign" advertising for the pages of their newspapers. The target was Standard Oil Co., whose advertising agency outlined its reluctance with what has a familiar ring even today: Too many newspapers make it too difficult to buy, so go away.

Kaynor and Kennedy would not go away. They proposed placing one order through the state newspaper association for an ad to appear in the member papers. There would be only one bill to pay.


CLASSIFIED

"...We've got a quality product here. These cars have the kind of fit and finish and features a lot of people have been waiting for.

But we're selling more than just cars. We're also geared toward delivering everything else our customers want, up and down the line.

Now we've got to go out there and exceed everyone's expectations. These cars are going to do it. We've got to do it, too.

Service, warranty, the whole process. We're out to make people comfortable and happy with everything about the Saturn experience.

Success today takes a lot more than simply putting a hunk of iron over the curb..."

Los Angeles Times

Team selling brought this Saturn ad to several dailies.

The ad agency bought; publishers in Washington state liked that then and they like it now.

Just last September, the Pacific Northwest Newspaper Association approved the formation of a formal network to represent all of the dailies in Washington and Oregon. It will begin operation in February. And, as is true for the Iowa network that will follow a couple of months later, the PNNA papers plan to make their initial pitches to specific types of advertisers.

The use of advertising networks is not exclusive to the newspaper medium, of course. Nor are some newspaper companies sticking to mere newspaper networks.

Gannett Co. in November announced it was returning to selling cross-media packages—giving advertisers the option to place ads in Gannett newspapers, broadcast outlets and on billboards, a move it first tried with little success in 1984. This renewed effort is called Gannettwork. Three other large media companies with newspaper holdings have coalesced into networks: the magazines of The Washington Post Co. and The Times Mirror Corp. in one grouping, and the magazines of The Hearst Corp. in another. So far, the companies' newspapers have not been part of either.

While rep firms and individual newspapers lead the way on forming networks, at least 24 state press associations are also mining national as well as regional advertising for their members, according to the 70-member Newspaper Association Managers organization.

The decision to form networks can come in official settings

Advertising Networks Come in Various Sizes and Flavors

There are many twists to the launching and the operation of newspaper advertising networks.

But newspaper executives and others say networks should be formed only after consulting with legal counsel, and after establishing a supervisory committee of people from newspapers.

Then the selling can start, just as it's about to do in the case of The Metro Iowa Network, formed by eight dailies (including one from Nebraska). The Iowa Newspaper Association, which has a half-century of sales experience, will be among those promoting it.

While the INA sales staff makes sales calls from Minneapolis to Omaha, the new network's own salespeople—either from rep firms or from the individual newspapers—"will make calls in Los Angeles," he says. "They'll call on Detroit automakers, while we'll call on Iowa auto dealerships."

Henry C. Phillips, advertising director of The Des Moines Register, notes that as newspapers' share of national advertising dipped over the years, many papers pared their national sales staffs or merged their duties with retail sales responsibilities. This made sense, but it also reduced their capacity to attract national dollars. Now that the importance of these dollars is increasing, there is an opening for networks to step into.

Nothing comes easy, though.

Network salespeople have to do a lot of preparation, warns Frank A. Chicko, Landon Associates vice president/regional sales manager. Before visiting a potential advertiser, they must bone up on that advertiser's distribution patterns and demographic bent so they know which newspapers might not be applicable to the advertiser's marketing needs.

Jeffrey A. Dietz, Landon's southern retail sales manager, says rather than helping individual newspapers come together—he calls this the "Us Three Guys Network" approach—he goes directly to advertisers to determine their needs and which markets interest them.

Others agree with this tack.

"There are too many networks (where) a lot of people are just trying to throw (circulation) together without a rationale," says Sam Papert Jr., president of The Papert Cos., a Dallas rep firm that started forming networks about 20 years ago and is now involved in 25. "There has to be a marketing reason."

Ginger W. Stanley, executive manager of the Virginia Press Association, says that rather than stress selling against other media, "We go in and examine an advertiser's budget and encourage him to share a portion of it in a successful newspaper campaign."

The network arrangement must avoid any conspiratorial appearance of dividing customers or territories among the members.

like the PNNA's 1990 convention. Or it can come in less-structured ones, as it did last year at one of the occasional lunches attended by executives of companies publishing 57 weeklies in the Boston area. They organized the Boston Suburban Weekly Advertising Network.

The conclusions reached by the executives in the Pacific Northwest and New England were similar. "The reality is that unless you have the (total) numbers, you're not going to get these larger advertisers—so you band together," says Donald O. Morse, chairman of the Boston suburban network and general manager of Dole Publishing of Somerville, Mass.

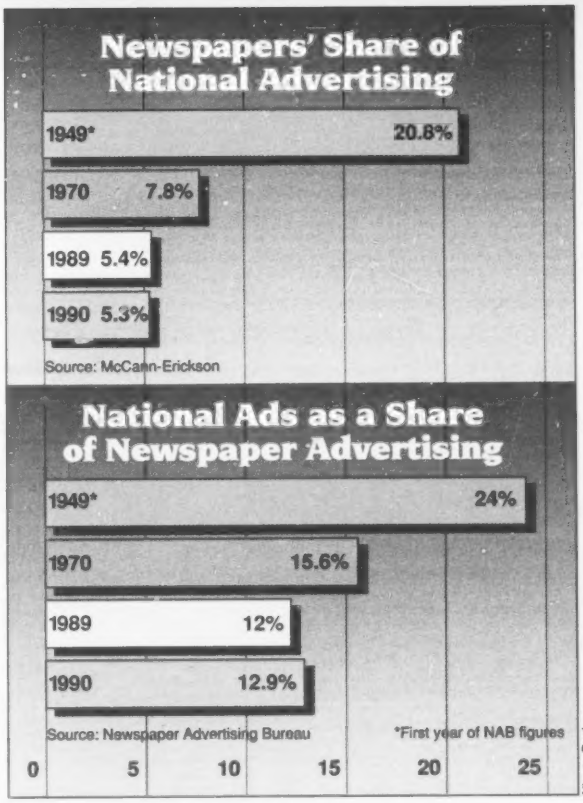
ADJUSTING THE PRICE. As an inducement to advertisers, network proponents say, it is important to offer advertisers pricing flexibility.

National advertisers have historically complained about newspapers' charging them premium rates.

But one study last year showed this was starting to ease for the first time since 1973 [presstime, June 1990, p. 74]. And networks are definitely part of this picture.

One recent example involved NAB's team-selling campaign that was a precursor of the Newspaper National Network. A team of NAB and newspaper executives approached Hal Riney & Partners, the San Francisco ad agency handling General Motors' account for the new Saturn automobile. At the team's urging, the agency chose newspapers over radio and billboards to announce the regional locations of dealerships.

Flexibility in rates offered by some newspapers was



Alberto Pacheco

But They Share a Common Mission: Selling Newspaper Space

Stanley recalls that one of her sweetest victories occurred during the 1988 presidential campaign when television evangelist Pat Robertson, who was seeking the Republican Party nomination, overlooked using newspaper advertising.

She went to the campaign's advertising agency. "I explained to the ad agency that newspapers are an educational tool" that can be used for explaining Robertson's goals, whereas using television alone—the agency's original ad plan—would promote Robertson's image only, she says. The agency was convinced and placed ads not only in the VPA network but in a total of 600 newspapers from Texas to Florida.

A network acts essentially as the go-between once a sale is made. It handles the insertion order that goes to the participating newspapers, pulls tear sheets after the ad runs and sends them to advertisers. The advertiser then sends in one payment to the network, which distributes individual payments to each paper—usually within 48 hours, according to people active in networking.

Paperwork is handled by whomever the network designates, whether it is a press association, a hired executive of the network or a rep firm.

Newspaper and network executives say offering advertisers choices is crucial in the success of networks today.

The 23-year-old Boston Area Newspaper Daily network found in the mid-1980s that it had to become more flexible in its selling. Until then, advertisers had only one choice—buying all of BAND's papers. Now they can pick and choose markets among the membership, Chicko says.

The Newspapers First network can give advertisers both a broader reach with its 9.6-million daily and 11.9-million Sunday circulation and, at the same time, various choices among the 48 participating papers, says John P. Kosanke, executive vice president.

One of the most sophisticated in offering advertisers choices is the Suburban Select Network from U.S. Suburban Press Inc., the suburban newspaper rep firm based in Schaumburg, Ill.

Suburban Select, using data from the Claritas marketing firm in Alexandria, Va., provides advertisers specific demographic data based on U.S. Census tract clusters in every ZIP code in the nation. With 1,000 suburban newspapers in the top 50 markets to choose from, advertisers can narrow their choices more finely and move beyond mere geographic marketing of their products, says Robert J. Noga, vice president/public relations.

instrumental in the decision, according to David Verklin, senior vice president/corporate media director of the agency. About 100 individual papers in the West, in the Southwest, and in the cities of Minneapolis and Pittsburgh each decided to charge their lower retail rates.

Similar flexibility is being seen in Virginia, according to Ginger W. Stanley, executive manager of the Virginia Press Association. Individual newspapers in the VPA's ad network recently told her they would lower their national rates by amounts ranging from 15 to 40 percent in an effort to capture new business. Publishers "realize that advertising dollars are tight, and to stay competitive they need to give a little," Stanley says. Just a few years ago, she comments, they would not have budged from their national rates.

Gregg Jenkins, Virginia Press Association

Judy McMann of Virginia Press Services Inc. compiles several newspaper network bills onto one advertiser invoice.

While some newspaper ad executives say such easing away from national rates is not widespread, they do note that newspapers are trying to be less rigid in their response to the rate concerns of national advertisers and their agencies. One major way to respond is to offer rate reductions through a network program, they say.

Landon's 105 formal networks can cost advertisers 50 percent less than they would have paid buying each paper separately. About 1,000 suburban papers in the Suburban Select network of the U.S. Suburban Press Inc. rep firm have an average discount of 33 percent, according to Robert J. Noga, vice president/public relations.

Discounts aren't the only lures, says Executive Vice President John P. Kosanke of Newspapers First, a network formed last year with the merger of Knight-Ridder Newspaper Sales and Million Market Newspapers/Times Mirror National Marketing. Other selling points can include the so-called "value-added aspect" of placement near related editorial content, and a specific ad position.

While Newspapers First is still in a formative stage, it closed a sale last fall with the Hawaii Visitors Bureau, which bought a quarter-page ad in seven papers. Kosanke says the sale was made when the visitors bureau was told that its ad would appear either in a special travel section or adjacent to travel-related feature stories.

At the Florida Newspaper Network, Advertising Manager Sandra Daugherty solicits from advertisers a general range they are willing to pay. She presents that information to newspaper executives in the markets of interest to a given advertiser. The newspapers then bid on the business, she says, and in this way they keep competitive with direct mail and other advertising vehicles.

The federal government's antitrust review of the Florida network has prompted some networks just forming to hold back on discussing any aspect of their rate structure. As a guiding principle, "Everyone is working off their own rate cards" and not discounting, says Lane Van Wyk, national advertising manager of The Herald in Everett, Wash. The Herald will be part of the new Washington-Oregon network.

When the Boston suburban weekly network was established last summer, the participating publishers knew that having an independent advertising director in charge would help keep them at bay from possible legal problems.

"I negotiate with each newspaper on the advertising rates," says Advertising Director Jerrold Peckerman. "As a network, we can't set rates. That's called price-fixing."

The Justice Department's scrutiny of the Florida network is more a matter of curiosity than deep concern, many executives say. Daugherty points out that lawyers for each member newspaper reviewed the organization to avoid any aspect of price-fixing.

Newspapers know that there can be "no appearance of impropriety, such as talking about rates," says Dietz, Landon's southern retail sales manager.

The best way to avoid any appearance of price-fixing is for each paper to set its own rate and any discounts off the open rate, advises Gerald A. Smith Jr., general counsel of the International Newspaper Advertising and Marketing Executives association and a lawyer with the Nashville firm of Blackburn, Little, Smith and Slobey.

As a rule, networks should be entities that are separate from the newspaper, Smith says.

A network's business can be handled by that organization or by a newspaper ad-rep firm, a press association or the NAB, he says.

The network arrangement must also avoid any conspiratorial appearance of dividing customers or territories among the members. If the geographic areas covered by two or more newspapers overlap, advertisers should decide which papers to appear in, he says.

Smith says a 1986 decision in Michigan involving a network of weekly shoppers upheld in part the basic concept of a newspaper network.

In that case, a U.S. district judge said that Michigan Advertisers, the shoppers' publishing company, had not engaged in price-fixing or acted as a monopoly with the setting of lower prices for carrying ad preprints, as had been alleged by two competing weekly publishers.

However, the judge did say that a trial would be necessary to determine whether the shoppers' network was illegally excluding the two competing weeklies from participating in the network.

Dawn L. Phillips, the attorney who represented the plaintiffs, says that following the judge's decision the weekly publishers decided not to pursue the case any further.

MEASURING RESULTS. The payoff appears to hinge on paying attention to what advertisers need, and the yield can be impressive.

In 1983, some papers in North Carolina and South Carolina were losing up to 23 percent of their advertising from a regional retail chain to direct mail, thus setting the stage for Landon's Dietz to move in.

He put together a customized network and got just four papers to offer competitive rates to lure Family Dollar stores' preprints back to newspapers. But by 1984, when he began pitching a Carolinas network for the Winn-Dixie supermarket chain, 30 papers joined. They grossed $800,000—money that Dietz says would have gone to direct mail.

A similar arrangement last year for an auto dealership spanning the Carolinas grossed $2.2 million for as many as 158 dailies and weeklies; Dietz calls this money that would have been funneled to television.

Also last year, the Boston Area Newspaper Dailies network, also known as BAND, grossed $1 million—revenue that member papers would likely not have seen in a weak economy, according to Frank A. Chicko, Landon vice president/regional sales manager.

In Chicago, the Sun-Times network took in $5 million for its newspapers during its first year and is expecting a "significant gain" over that in its second fiscal year that will end June 30, says Sun-Times senior ad executive Dacey. "It is profitable right now," he says, though he declines to reveal the rate of return.

Since its inception in 1984, the advertising services arm of the VPA has earned revenues ranging from about $1 million to $6 million a year, says Executive Manager Stanley.

The suburban Boston weekly network that began selling last summer has already generated $20,000 in run-of-paper ads from customers who had not been in all of these papers before, network Ad Director Peckerman says. Chairman Morse says $20,000 may not seem like much, but he observes that it has been operating in a recession-like economy. The network, he says, "is looked at as long-term. . . . The commitment is there, and this will be successful."

Taking the long view is also emphasized by Verklin of the Hal Riney ad agency. Newspapers' flexibility on the premium national rate for Saturn ads earned a "modest" amount of revenue in 1990—he declined to specify the amount—and there is likelihood of more this year, he says.

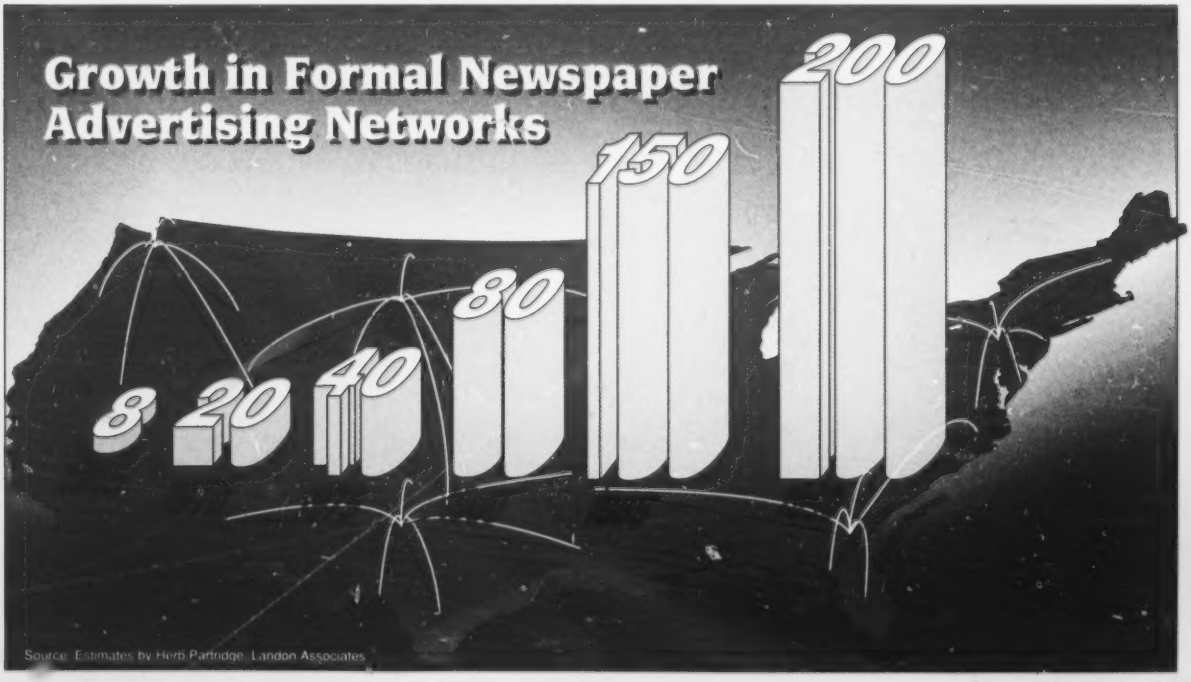
"Newspapers always come in with a pitch for the short term," he says, adding that this would have been all wrong for the phased rollout of the new GM car. "With Saturn, this is (business) in the long term. . . . (The network) allows for an ongoing relationship with newspapers."

COMPETITION AND COOPERATION. With so many newspaper networks now chugging along and with so many ad reps out selling, the competition among them can sometimes get sticky.

Ad revenue for the Washington Newspaper Publishers Association, which represents weeklies and shoppers only, peaked at $1 million in 1975, says Executive Director Miles Turnbull. Today, because of competition from other media as well as from daily newspapers, WNPA Services Inc., the association's ad services department, is generating just under $500,000, says Dixie Lee Bradley, associate director.

All the competition, says Turnbull, "is bound to have an effect. There are only so much bucks on the table." Adding to WNPA's woes will be the new network formed by the PNNA, as well as continued competition from other media.

The ad service departments of some press associations have a slight advantage over networks, Dietz says. Whereas these associations do not charge fees to handle the ads they process, he says the networks typically collect a commission on sales plus a range of fees to cover administrative costs. Such associations "are a pain in the fanny and they won't go away," he says. "If you've got something going and you seek fees for billing, the press association is only too happy to do it for free."



Source: Estimates by Herb Partridge, Landon Associates

Networks Hold Promise, Advertisers Say

Newspapers and newspaper rep firms say they are putting ad networks together because it's the best way to give national advertisers what they're demanding. And national advertisers—and their ad agencies—are responding with some favorable comments.

The networks are a "clear sign to me that newspapers are recognizing the potential importance of national advertisers, and we appreciate that interest," says John McMennamin, vice president/marketing services of the Carnation Co., whose use of newspaper advertising is described by the company as minimal. "We think (newspapers) are headed in the right direction. In a fragmented marketplace, (networks) could offer (us) a good opportunity in the 1990s."

Making it easier for advertisers to buy newspapers "is a plus," affirms Jack P. Cohen, vice president/director of print and outdoor media for DDB Needham Worldwide advertising agency.

In the past, newspaper reps trying to convince advertising agencies to place national advertising in newspapers were often limited to sales calls over the telephone, says David Verklin, senior vice president/corporate media director of Hal Riney & Partners.

Efforts such as NAB's Newspaper National Network are reversing that historial complacency, by showing advertisers and agencies that newspapers can work in tandem with them he says.

When an NAB team approached Riney & Partners last year about the advertising plan for the new Saturn automobile, members showed they had done their homework, Verklin reports. "They helped me understand about my customer and whether newspaper readers are my customers and that newspapers were understanding of our business."

The turning point for Verklin was the showing of a videotape of focus-group members talking about the importance of reliable small cars. That was the first time anyone representing newspapers had provided valuable information about a client's potential customers, he says.

The Metro Iowa Network had hopes of being in operation by now but has had several committees working on avoiding any logistical problems between various rep firms, says Henry C. Phillips, advertising director of The Des Moines Register.

"We've got so many rep firms involved and the Iowa Newspaper Association," says Phillips. "They all wanted to know about commissions and what if one gets a lead on a sale and who gets paid if two groups work on one account."

For the most part, though, everything has been smoothed out, he says. One helpful move was establishing a liaison between rep firms to schedule sales calls so that advertisers listen to one pitch only.

"In a sense (the network) unclutters things," Phillips says. By arranging sales calls, a potential client is spared multiple visits from several different papers.

Still others say that the proliferation of networks is actually good for newspapers because it builds interest in newspapers among advertisers and ad agencies. "I'd rather have more than less," says Shelly Lyons, president of Gannett National Newspaper Sales, which oversees the Gannett 4-Color network of about 300 papers that specialize in quality color reproduction. "From our perspective, we don't care who sells the business, just so it's sold."

Bob Hemm (left) and James Cunningham, ad reps for USSPI members, sell their network to Lever Brothers' Doug Latrenta.

For his part, Dietz says, "I stay out of other reps' hair. I don't want to create dissension. We've got to understand that the other paper is not the competition, (it's) direct mail or television. That's the real competition."

Stanley agrees that newspapers need as much representation with national advertisers as they can get. But the networks "have to be accurate" in placing the ads and handling the accounts, she emphasizes. If a network "drops the ball for a client, that's terrible and it hurts everyone. The networks will get a bad name. And that will make it harder for everyone to sell their own network."

No matter what the cooperative effort, some people believe that the networks won't lure much more national advertising to newspapers. "I don't believe that unless you get an advertising media budget increase, you'll see any impact," predicts Don E. Schultz, professor of advertising and marketing at Northwestern University's Medill School of Journalism.

Schultz says 60 percent of the total national advertising budget today is tilted toward promotion, with the remainder going to actual advertising. The pie gets smaller as different media fight to get a bigger slice, he says. Increasing advertisers' spending on actual advertising—instead of on such things as in-store promotions and contests—"is where the real battle is," he adds.

Rather than going it alone, newspapers should be marshaling their efforts *with* other media, such as radio and television, Schultz maintains.

His pessimistic views on newspaper networks are in the minority. Others say they are genuinely pleased that newspapers are making a greater effort to serve national advertisers. "We're very impressed," Verklin says.

At the same time, Verklin cautions that joining hands in networks is only a first step for newspapers to take in their bid to recoup national advertising. Other steps, he suggests, include getting broader newspaper use of standardized invoices and moving national-ad rates toward parity with retail rates.

He is convinced that "the cumulative effect of (such) efforts will help newspapers turn the corner," to the point where they can finally capture "the grail" of increased national advertising. □

Some see upturn later in year

A revived U.S. economy can't possibly begin to pull the newspaper business out of its cyclical woes until the second or third quarter of the new year. "Grim" is the way strategic planners in the newspaper industry are inclined to phrase the situation, but economists say the word is really not warranted.

At the annual PaineWebber conference on the outlook for the media, Maury N. Harris, chief economist at the brokerage company, pointed out that if the forecast of a mid-year upturn is correct—and he believes it is—it will make for a comparatively short recession.

What's more, Harris said it's not likely to be a very deep recession, "because what usually makes recessions deep is not so much precipitous drops in business as the cumulative effect of losses over time."

Yet among newspaper hands, the pall hangs on like smog over Los Angeles, though there are exceptions—in particular, Los Angeles. The Tampa Tribune's circulation director, Jack Butcher, predicted that the Los Angeles market, along with a few other bright spots like Atlanta, will shine through the newspaper gloom.

Regardless, 1991 could go down as the year in which even the optimists were glum, in mood if not in actual outlook.

Reasons given for the visceral unease lie mostly beyond the basics of standard forecasting and beyond the familiar cyclical woes of the newspaper business. They lie instead in a wide variety of trends threatening the newspaper business in particular, the U.S. economy in general, and, more broadly, the shifting world economic order whose jolts and swings increasingly work their way back to newspapers of all sizes.

The range of opinion on these non-routine concerns is wide and irreconcilable. The worries can be seen as no more substantial than the gloom that's symptomatic of market psychology at the bottom of any cycle, or they can be seen as infinitely more important than the basics.

Needless to say, publishers are concerned with both basics and harder-to-quantify influences.

Alan S. Blinder, Princeton economist and master of the basics, has written in BusinessWeek magazine that he expects a mild recession for several reasons. Some of these reasons have special meaning for the newspaper business.

Like PaineWebber's Harris, Blinder sees the Federal Reserve less than hung up on bolstering the dollar and containing inflation, though inflation in particular remains a critical concern. This means that as the economy progressively worsens, the Fed will progressively ease interest rates. He also sees oil prices coming down and recessionary problems easing for two major newspaper advertisers—builders and auto dealers.

Richard Rippe, president of the National Association of Business Economists, recently commented, "Our best guess is that the recession will be short—two quarters or less."

Of course, none of this optimism can erase financial problems that will likely occur even in a short recession. Jerome S. Tilis, Knight-Ridder vice president for marketing, told the PaineWebber gathering in New York City he sees real estate and help-wanted ads continuing to be hit hard.

Robert J. Coen, senior vice president of the McCann-Erickson Inc. advertising agency, said national print advertising will grow at a modest 3.8 percent rate, while local newspaper ads will be up a scant 2 percent.

But Coen said he expects strength in important advertising categories like consumer products, and according to his forecast advertising in local markets could pick up by mid-year or earlier.

Economists holding such moderate views are looking hard at orthodox indicators of the coming year's business climate:

- To those concerned about oil prices, they point out that despite the loss of Iraqi and Kuwaiti production, there is an oversupply of oil on world markets that should make today's high prices hard to sustain.
- To those especially worried about the size of the federal deficit, they point out that with the economy in recession, the federal government will have less competition from business as it tries to raise money to cover debt.
- To those who fret about troubled banks cutting credit for more than just cyclical reasons, they point to actual and potential end runs around the banking system—in

The advertising outlook for 1991

	1991 Projections (in billions)	% Change over 1990
Local newspaper	$29.5	+2.0
Local broadcast	15.5	+4.2
Local Yellow Pages	8.2	+5.0
Other local	5.0	+3.1
Total local	$58.2	+3.1

Source: McCann-Erickson Inc.

NEWSPAPER BUSINESS NOTES

- The newspaper **Safe Driving Campaign was discontinued** in December after nearly a half-century of co-sponsorship by ANPA and the International Circulation Managers Association. ANPA President Jerry W. Friedheim said limited Association resources are being used for more pressing priorities. The campaign, said Friedheim, "has helped newspapers over the years to make a habit of safety-conscious driving. We appreciate the help of newspaper executives in achieving this goal" [**presstime**, Sept. 1990, p. 44].

- The **layoffs of 300 Reuters Holdings plc employees**, including 50 in Reuters America, take effect in February. The Reuter news service is unaffected by the reductions announced Oct. 31, according to Robert A. Crooke, director of media relations for Reuters America, Inc. All of the employees being laid off worked in corporate administration, he said.

- The eight-day **space journey by a Japanese journalist** aboard a Soviet shuttle in December has not changed a National Aeronautics and Space Administration decision to postpone its Journalist-in-Space Project indefinitely. That project was put on hold in 1986 following the explosion of the *Challenger* space shuttle in which six astronauts and a U.S. high school teacher were killed [**presstime**, Aug. 1986, p. 37].

  The first journalist in space, Toyohiro Akiyama, is a television reporter for Tokyo Broadcasting System. It paid the Soviet space program $12 million for the privilege of sending him aloft for unprecedented reporting.

particular, finance companies for small business and commercial paper for big business.

• To those concerned about stimulus, they point to a buoyant world economy, especially the Asia/Pacific region. They say it will eventually pull the United States out of the slough. John Perriss, chief of the forecasting unit for the London-based ad agency, Saatchi & Saatchi, sees the United Kingdom, Scandinavia and Switzerland as weak, but he sees growing strength—and ad markets—in southern Europe, Germany and the Asia/Pacific region.

Also, inventories are low, and this signals a short recession.

A significant question remains, however: Are those who mope that a turnaround may not come "until" mid-year right?

They themselves seem to fear it could come later, and in fact Gordon Medenica, The New York Times Co.'s vice president for corporate planning, doesn't see a turnaround for newspapers until 1992. "Business stinks," Medenica declared.

By next year, the basic indicators look strong, many observers say, but there are still the oft-discussed fundamentals that are plaguing the newspaper industry long-term, plus two wild cards in the broader economy that could torpedo everyone's best forecasts: instability in the Persian Gulf region and the world economy.

Medenica said he believes the outlook for newspapers in the near-to-medium term is 20-percent fundamental, 80-percent cyclical. One of the few bright spots fundamentally: The Tampa Tribune's Butcher said he's more optimistic about circulation than he's ever been, "though the jury's still out." He sees newspapers, like magazines, charging readers more without seriously eroding circulation.

Indeed, more than one participant at the PaineWebber conference pointed to circulation strength, derived in good part from reader loyalty, as a potential haven from advertising hits. They said this trend makes "investing in the franchise" an especially important question.

John Morton, an analyst for Lynch, Jones & Ryan in Washington, D.C., said last fall that newspaper gloom is considerably overstated, and the danger now is that because of the dip, newspapers might cut too deeply, eroding their franchise [**presstime**, Dec. 1990, p. 6].

Regarding the two wild cards, what happens to the world economy may seem to be an extension of what happens in the Persian Gulf. The two are obviously related, but concern about the world economy includes issues that lurked well before Saddam Hussein invaded Kuwait.

If there is war, it may not matter that the world currently is able to do without the oil production of Iraq and Kuwait. Oil from Saudi Arabia and the Gulf sheikdoms would be endangered, and even if it kept flowing, fear would haunt world markets, New York Times foreign correspondent Youssef M. Ibrahim, who has covered oil and business for years, told **presstime**.

A scenario like that would of course jack up the price of such items as ink, but more significantly it could whipsaw at least two already vulnerable businesses that are important to newspapers—retail stores and banking.

Even without war, a few economists fear that just when the United States is ready for the world market to pull it out of recession, the world market, increasingly protectionist, increasingly leary of a debt-ridden America, won't be there.

Asked what would make him move his forecast of an upturn significantly forward from mid-year, PaineWebber's Harris replied, "Look at home sales, and look at the export order index, at the overseas economies."

After a litany of such cautionary talk, The Tampa Tribune's Butcher rose solemnly and deadpanned, "Let us pray." —*Jack Kramer*

Press associations: changes in command

The **American Association of Sunday and Feature Editors,** at its annual convention Oct. 24-26 in Montreal, elected the following new officers:

- *President*—Reg Vickers, Calgary (Alberta) Herald
- *First vice president*—Sue F. Smith, The Denver Post
- *Second vice president*—Barbara Schuler, Newsday, Long Island, N.Y.
- *Secretary*—Susan Bischoff, Houston Chronicle
- *Treasurer*—Dan Norman, Sun-Sentinel, Fort Lauderdale

The **International Newspaper Financial Executives,** at its annual meeting Oct. 14-17 in New Orleans, elected the following new officers:

- *President*—Catherine Heron, Times Publishing Co., St. Petersburg
- *First vice president*—O. Scott Leath, Richmond (Va.) Newspapers Inc.
- *Second vice president*—Donald Zabek, Phoenix Newspapers Inc.
- *Secretary*—Scott Messer, The Dallas Morning News
- *Treasurer*—Larry Bloom, New York Daily News.

The **National Newspaper Association**, at its annual convention Sept. 19-22 in Kansas City, Mo., elected the following new officers:

- *President*—Bruce C. Brown, Oconomowoc (Wis.) Enterprise
- *Vice president*—Charlotte T. Schexnayder, Dumas (Ark.) Clarion
- *Treasurer*—Frank Garred, Port Townsend (Wash.) Jefferson County Leader.

The **National Press Photographers Association** at its annual convention July 3-7 in Orange County, Calif., elected the following new officers:

- *President*—Michael T. Martinez, The Detroit News
- *Vice president*—Michael L. Morse, Western Kentucky University, Bowling Green
- *Secretary*—Skip Peterson, Dayton (Ohio) Daily News
- *Executive committee board representative*—Clyde Mueller, Standard-Examiner, Ogden, Utah. □

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PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 3, 5, 20-28